



OCC 2010-23

**Subject: Prohibition Against Interstate Deposit  
Production**  
**Date: June 29, 2010**

**To: Chief Executive Officers and Compliance  
Officers of All National Banks, Department and  
Division Heads, and All Examining Personnel**

**Description: Annual Loan-to-Deposit Ratios**

Any attachments to this document are rescinded only as they relate to national banks and federal savings associations.

In general, section 109 prohibits any bank from establishing or acquiring a branch or branches outside of its home state primarily for the purpose of deposit production. Section 106 of the Gramm–Leach–Bliley Act of 1999 amended coverage of section 109 of the Interstate Act to include any branch of a bank controlled by an out-of-state bank holding company.

Section 109 provides a process to test compliance with the statutory requirements. The process compares a bank's statewide loan-to-deposit ratio to the host-state loan-to-deposit ratio for banks in a particular state. If a bank's statewide loan-to-deposit ratio in a state is less than one-half of the published host-state loan-to-deposit ratio for that state, or if data are not available at the bank to calculate the ratio, the appropriate banking agency must determine whether the bank is reasonably helping to meet the credit needs of the communities served by the bank.

Due to the legislative intent against imposing regulatory burden, no additional data were collected from the institutions to implement section 109. Therefore, since insufficient lending data were available on a geographic basis to calculate the statewide ratios directly, the agencies used a proxy to estimate the host-state loan-to-deposit ratios. The agencies calculated the host-state loan-to-deposit ratios using data obtained from the *Reports of Condition and Income* (call report) and the *Summary of Deposits Reports*, as of June 30, 2009, which were the most recently available data. For each home-state bank, the agencies calculated the percentage of the bank's total deposits attributable to branches located in its home state (determined from the *Summary of Deposits Reports*) and applied this percentage to the bank's total domestic loans (determined from the call reports) to estimate the amount of loans attributable to the home state. The host-state loan-to-deposit ratio was then calculated by separately totaling the loans and deposits for the home-state banks and then by dividing the sum of the loans by the sum of the deposits.

Banks designated as limited-purpose or wholesale under the Community Reinvestment Act (CRA) and credit card banks (regardless of any CRA limited-purpose designation) were excluded from the host-state loan-to-deposit calculation, recognizing that these banks could have very large loan portfolios, but few, if any, deposits. In addition, beginning in 2001, special-purpose banks, including bankers' banks, were also excluded from the ratios because these banks do not engage in traditional deposit taking or lending. Inclusion of these banks could distort the ratios, thus hindering their use in carrying out the intent of the legislation. The host-state loan-to-deposit ratios and any changes in the way the ratios are calculated are made available to the public on an annual basis.

Please direct questions regarding this bulletin to your supervisory office or to Brian Borkowicz, National Bank Examiner, Compliance Policy Department at (202) 874-4428.

/signed/

Ann F. Jaeger  
Deputy Comptroller for Compliance Policy

**Related Links**

- [Host-state Loan-to-Deposit Ratios](#)

**RESCINDED**

## SECTION 109 HOST STATE LOAN-TO-DEPOSIT RATIOS

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (the agencies) today are making public the host state loan-to-deposit ratios<sup>1</sup> that the agencies will use to determine compliance with section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Act). In general, section 109 prohibits a bank from establishing or acquiring a branch or branches outside of its home state primarily for the purpose of deposit production. Section 106 of the Gramm-Leach-Bliley Act of 1999 amended coverage of section 109 of the Interstate Act to include any branch of a bank controlled by an out-of-state bank holding company.

To determine compliance with section 109, the appropriate agency first compares a bank's statewide loan-to-deposit ratio<sup>2</sup> to the host state loan-to-deposit ratio for a particular state. If the bank's statewide loan-to-deposit ratio is at least one-half of the published host state loan-to-deposit ratio, the bank has complied with section 109. A second step is conducted if a bank's statewide loan-to-deposit ratio is less than one-half of the published ratio for that state or if data are not available at the bank to conduct the first step. The second step requires the appropriate banking agency to determine whether the bank is reasonably helping to meet the credit needs of the communities served by the bank's interstate branches. A bank that fails both steps is in violation of section 109 and subject to sanctions by the appropriate agency.

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<sup>1</sup> The host state loan-to-deposit ratio is the ratio of total loans in a state to total deposits from the state for all banks that have that state as their home state. For state-chartered banks and FDIC-supervised savings banks, the home state is the state where the bank was chartered. For national banks, the home state is the state where the bank's main office is located. The home state of a foreign bank is determined by 12 USC 3103(c) and applicable agency regulations at 12 CFR 28.11(o) (OCC), 12 CFR 211.22 (Board), and 12 CFR 346.1(j) (FDIC).

<sup>2</sup> The statewide loan-to-deposit ratio relates to an individual bank and is the ratio of a bank's loans to its deposits in a particular state where the bank has interstate branches.

Section 109 of the Interstate Banking and  
Branching Efficiency Act

Host State Loan-to-Deposit Ratios  
Using Data as of June 30, 2009  
(Excludes wholesale or limited purpose CRA-designated  
banks, credit card banks, and special purpose banks)

<b>State or U.S. Territory</b>	<b>Host State Loan-to-Deposit Ratio</b>
Alabama	86%
Alaska	75%
Arizona	90%
Arkansas	85%
California	90%
Colorado	79%
Connecticut	94%
Delaware	99%
District of Columbia	88%
Florida	87%
Georgia	88%
Hawaii	71%
Idaho	100%
Illinois	84%
Indiana	90%
Iowa	85%
Kansas	80%
Kentucky	90%
Louisiana	83%
Maine	108%
Maryland	93%
Massachusetts	87%
Michigan	94%
Minnesota	88%
Mississippi	84%

Section 109 of the Interstate Banking and  
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Host State Loan-to-Deposit Ratios  
Using Data as of June 30, 2009  
(Excludes wholesale or limited purpose CRA-designated  
banks, credit card banks, and special purpose banks)

<b>State or U.S. Territory</b>	<b>Host State Loan-to-Deposit Ratio</b>
Missouri	84%
Montana	91%
Nebraska	83%
Nevada	94%
New Hampshire	89%
New Jersey	90%
New Mexico	76%
New York	67%
North Carolina	80%
North Dakota	165%
Ohio	91%
Oklahoma	83%
Oregon	93%
Pennsylvania	83%
Rhode Island	91%
South Carolina	91%
South Dakota	91%
Tennessee	98%
Texas	78%
Utah	67%
Vermont	93%
Virginia	84%
Washington	98%
West Virginia	88%
Wisconsin	102%

Section 109 of the Interstate Banking and Branching Efficiency Act	
Host State Loan-to-Deposit Ratios Using Data as of June 30, 2009 (Excludes wholesale or limited purpose CRA-designated banks, credit card banks, and special purpose banks)	
State or U.S. Territory	Host State Loan-to- Deposit Ratio
Wyoming	72%
American Samoa	98%
Guam	55%
Puerto Rico	93%
Virgin Islands	88%

Due to the legislative intent against imposing regulatory burden, no additional data were collected from institutions to implement section 109. However, since insufficient lending data were available on a geographic basis to calculate the host state loan-to-deposit ratios directly, the agencies used a proxy to estimate the ratios. Accordingly, the agencies calculated the host state loan-to-deposit ratios using data obtained from the call reports and summary of deposits reports, as of June 30, 2009. For each home state bank, the agencies calculated the percentage of the bank's total deposits attributable to branches located in its home state (determined from the summary of deposits), and applied this percentage to the bank's total domestic loans (determined from the call reports) to estimate the amount of loans attributable to the home state. The host state loan-to-deposit ratio was then calculated by separately totaling the loans and deposits for the home state banks, and then dividing the sum of the loans by the sum of the deposits.

Section 109 of the Interstate Act directs the agencies to determine, from relevant sources, the host state loan-to-deposit ratios. As discussed in the preamble to the joint final rule, Prohibition Against Use of Interstate Branches Primarily for Deposit Production (62 FR 47728,

47731, September 10, 1997), implementing section 109, banks designated as limited purpose or wholesale banks under the Community Reinvestment Act (CRA) were excluded from the host state loan-to-deposit calculation, recognizing that these banks could have very large loan portfolios, but few, if any, deposits. Likewise, credit card banks, which typically have large loan portfolios but few deposits, were also excluded, regardless of whether they had a limited purpose designation for CRA purposes. Beginning in 2001, special purpose banks, including bankers' banks, were excluded because these banks do not engage in traditional deposit taking or lending.

The host state loan-to-deposit ratios, and any changes in the way the ratios are calculated, will be publicized on an annual basis.